

PIERCE COUNTY FIRE PROTECTION DISTRICT NO. 6
Pierce County, Washington
January 1, 1990 Through December 31, 1992

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified And Destroyed

Our audit of the financial records of Pierce County Fire Protection District No. 6 revealed that at least \$37,573.74 in public funds were misappropriated by Yvonne Grissom, the former office manager of the district, during the period January 1, 1990, through November 18, 1993. Accounting records were falsified and district records were destroyed in an attempt to conceal these losses. There were no federal funds involved in this case.

These funds were misappropriated as described below.

- a. Yvonne Grissom improperly deposited miscellaneous district revenue checks into the imprest fund checking account without writing receipts or otherwise recording these transactions as revenue in the district's accounting records.

Ms. Grissom then misappropriated these funds by preparing, signing, endorsing, and cashing at least 145 unauthorized checks totaling \$32,797.99 made payable to herself from the imprest fund checking account. These disbursements were not supported by any source documents and were not made for any authorized public purpose.

She attempted to conceal these transactions in the accounting records by recording false payees, entering amounts that she knew to be less than the actual disbursements and deposits or omitting the transaction from the records.

- b. On nine separate occasions, Ms. Grissom withheld a total of \$2,198.08 in district funds from the imprest fund checking account bank deposits by indicating "LESS CASH" on the bank deposit slip, which she signed or initialed, and then receiving the amount in cash. These funds were not subsequently recorded in the district's accounting records or used for any other authorized district purposes.
- c. Ms. Grissom was responsible for receiving second-party insurance checks remitted to the district as reimbursements for medical expenses. She endorsed and deposited at least four of these checks totaling \$2,167.26 into her personal bank account. These transactions were not recorded in the district's accounting records and the funds were not used for any other public purpose.
- d. At least \$270.11 in miscellaneous district revenues received in cash by Yvonne Grissom were not subsequently deposited to the credit of the district. Copies of the receipts for these transactions were found concealed in Yvonne Grissom's work area. There were no records to indicate that the funds were used for any

other authorized district purposes.

- e. Cash totaling \$145.30 was taken from the district's petty cash box, recorded as disbursements by Ms. Grissom, but not supported by any source documentation. There were no records to indicate that the funds were used for any other authorized district purposes.

On November 16, 1993, prior to the discovery that funds were missing, Yvonne Grissom stated that she had accidentally caused the unauthorized destruction of checking account bank statements for calendar years 1992 and 1993. We later located some, but not all, of these statements in the district's files.

Ms. Grissom admitted that she had "borrowed" approximately \$1,200 from the checking account in August 1993, but had subsequently repaid this amount to the district in cash. She also admitted to having "borrowed" district funds in the past, but could not recall when this occurred or how often.

The district placed Yvonne Grissom on administrative leave on November 18, 1993. She subsequently resigned her position with the district on January 6, 1994.

RCW 9A.56.030 states:

Theft in the first degree:

(1) A person is guilty of theft in the first degree if he commits theft of:

(a) Property or services which exceed(s) one thousand five hundred dollars in value; or

(b) Property of any value from the person of another.

(2) Theft in the first degree is a class B felony.

RCW 9A.20.021 states in part:

Maximum sentences for crimes committed July 1, 1984, and after.

(1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following . . .

(b) For a class B felony, by confinement in a state correctional institution for a term of ten years, or by a fine in an amount fixed by the court of twenty thousand dollars, or by both such confinement and fine

In addition, RCW 42.20.070 states:

Every public officer, and every other person receiving money on behalf of or for or on account of people or the state or of any department of the state government or of any bureau or fund created by law in which people are directly or indirectly interested, or for or on the account of any county, city, town or any school, diking, drainage, or irrigation district, who:

(1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money

so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or related to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following internal control weaknesses in the fire protection district allowed this misappropriation to occur and not be detected in a timely manner.

- a. Incompatible job duties not segregated - Ms. Grissom was solely responsible for practically all of the accounting functions performed on the district level, including receipt and disbursement of funds, and recording of transactions in the accounting records. This allowed her access to the district's cash and provided her with the opportunity to conceal the theft of funds through falsification and destruction of the accounting records.
- b. Lack of oversight by district management - Managers of the district failed to require and review reconciliations related to the imprest fund checking account and miscellaneous billings. The lack of management oversight allowed Ms. Grissom to misappropriate funds over a period of at least three years without detection.

We recommend Pierce County Fire Protection District No. 6 seek recovery of the misappropriated \$37,573.74 and related audit/investigation costs from Yvonne Grissom and their insurance bonding company, as appropriate.

We further recommend the Washington State Office of the Attorney General and Pierce County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for the office manager position is as follows:

Volunteer Fire Insurance Services
Coverage limit - \$10,000
Policy No. GPD21592717
Coverage period July 1, 1989 through June 30, 1990

Insurance Company of North America
Commercial blanket bond - limit \$10,000
Policy No. D2 15 92 71 7

Coverage period July 1, 1990 through June 30, 1994.

We also recommend the district review its overall accounting controls, correct the weaknesses identified above, and implement an effective system of internal control designed to ensure the protection of public assets.

2. Former Chief Of The District Violated State Laws

Our audit of the financial records of Pierce County Fire Protection District No. 6 revealed that former chief, Les Flue, violated certain state laws during the period January 1, 1990, through December 31, 1992.

- a. Beneficial Interest In Software Purchase - Chief Flue represented Fire District No. 6 on a consolidation committee consisting of chiefs from Districts No. 6, 7 and 9.

In March 1992, as a member of the committee, he recommended that Sunpro computer software be purchased by the other two districts for use in the preparation of incident reports, at a cost of \$1,021.25 per district. District No. 6 already used Sunpro software. Based upon his recommendation, the other chiefs agreed to the purchase. As chief of the lead agency for the consolidation, Chief Flue was responsible for making the purchase and billing the other districts for their respective share of the cost.

At a subsequent date, the other chiefs learned that Chief Flue received a sales commission of at least \$540 from Sunpro for this transaction. He had not previously disclosed his relationship with the vendor. The other chiefs brought the matter to the attention of the officials of Fire District No. 6.

RCW 42.20.010 states in part, that:

Every public officer who shall . . .

(2) Be beneficially interested, directly or indirectly, in any contract, sale, lease, or purchase which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his office, or accept, directly or indirectly, any compensation, gratuity, or reward from any other person beneficially interested therein . . .

Shall be guilty of a gross misdemeanor, and any contract, sale, lease or purchase mentioned in subdivision (2) hereof shall be void

- b. False Expense Claim Filed - In June 1992, Chief Les Flue attended a conference in Wenatchee. The conference was held from Sunday, June 28 through Wednesday, July 1. Chief Flue left Tacoma for Wenatchee on the morning of Friday, June 26, despite the fact that conference activities did not start until June 28. He did not engage in any other district business on this day.

On July 9, 1992, Les Flue knowingly submitted a false claim to the district when he requested reimbursement for meals and lodging for June 26. Since the conference did not start until Sunday and the chief did not conduct any district business in Wenatchee on Friday, he was not entitled to reimbursement for expenses or lodging at the expense of the district.

RCW 42.24.090 states in part:

No claim for reimbursement of any expenditures by officers or employees of any municipal corporation or political subdivision of the state for transportation, lodging, meals or any other

purpose shall be allowed by any officer, employee or board charged with auditing accounts unless the same shall be presented in a detailed account

RCW 42.24.100 further states that:

The certificates required by RCW 42.24.080 through 42.24.110 need not be sworn, but any person certifying a claim or making a claim knowing the same to be false or untrue shall be guilty of perjury in the second degree.

Both of the foregoing incidents were investigated by the officials of Fire District No. 6 and their attorney. The investigation concluded that state laws may have been violated and recommended that the county prosecutor and other applicable authorities be informed. The district's board of commissioners complied with the recommendations.

As a result, Chief Flue paid the district the amount he had received in commissions from the Sunpro software purchase to the consolidating districts. He also remitted \$92.35 to District No. 6 for meals and lodging on June 26, 1992, related to the Wenatchee conference.

Chief Les Flue retired from the district at the end of 1992.

These violations occurred because Les Flue either did not know the applicable state laws or chose to disregard them. In addition, the office manager of the district, who was responsible for auditing all reimbursement claims, did not question the Wenatchee conference claim.

We recommend that District No. 6 develop procedures intended to educate its personnel on state laws and reinforce the importance of compliance with these laws. We also recommend that all claims against the district be carefully scrutinized, and explanations for discrepancies obtained, prior to payment.